CLAIMS

What is claimed is:

1. A method of target pricing a value, comprising the steps of:

pricing the value using list prices in a product model;

costing the value using the costs in the product model;

calculating an equivalent competitor net price for the value using a competitor net price model;

calculating the optimal winning value as a function of price using the parameters from a market response model; and

determining a target price for the value.

2. The method of claim 1, further including the step of calculating the benefits of target pricing in comparison to the pre-existing pricing approach using a benefits model.

3. The method of claim 1, wherein the step of determining a target price using an optimization model that maximizes expected contribution for the value.

4. The method of claim 1, further including the step of overriding the calculated equivalent competitor net price if the calculated competitor net price falls outside the target range.

5. The method of claim 1, wherein the product model and the competitor price model are n-dimensional with stored data reflective of at least price and cost, and the steps of

pricing the value, costing the value, and calculating an equivalent competitor net price are located by iterative linear interpolation of the stored data.

6. The method of claim 1, further including the step of calculating a target range for the value.

7. A process of target pricing a value, comprising the steps of:

pricing the value using stored list prices in a product model;

costing the value using stored costs in the product model;

calculating an equivalent competitor net price for the value using a competitor net price model;

calculating the probability of winning with the value as a function of price using parameters from a market response model; and

calculating a target price for the value that maximizes expected contribution using an optimization model that determines competitive response to any potential value.

8. The process of claim 7, further including the step of calculating one or more benefits of target pricing in comparison to a pre-existing pricing approach.

9. The process of claim 7, wherein the product model and the competitor price model are n-dimensional with stored data reflective of at least price and cost, and the steps of pricing the value, costing the value, and calculating an equivalent competitor net price are located by iterative linear interpolation of the stored data.

10. The process of claim 7, wherein the step of calculating an equivalent competitor net price further includes the steps of:

retrieving a price from the product model for a specific value; and

applying a discounting model to the price to determine a competitor net price for the specific value.

11. The process of claim 10, further including the step of overriding the calculated equivalent competitor net price if the calculated competitor net price falls outside a predetermined range.

12. The process of claim 7, wherein the market response model includes coefficients for market response predictors based upon historical data, and for a specific value, the step of calculating the probability of winning the bid includes the steps of:

evaluating price-independent predictors; and

generating a market response curve from which an estimated probability of winning with the value is calculated.

13. The process of claim 12, wherein the step of evaluating price-independent predictors is evaluating price independent predictors for at least the customer, the order, and the product.

14. The process of claim 12, further including the step of evaluating static and variable price-independent predictors.

15. The process of claim 7, wherein the step of calculating one or more benefits of target pricing includes the steps of:

obtaining the target price for the specific value;

calculating a target price value using a pre-existing pricing approach; and

comparing the value from the pre-existing pricing approach to a market response curve to determine the probability of a successful bid with the pre-existing pricing approach.

16. The process of claim 15, wherein the step of calculating a target price bid using a pre-existing pricing approach is a step selected from the group of:

discounting the list price from the price model;

adding a predetermined amount to the cost for the value; and

matching a historic rate for the specific value.

17. The process of claim 7, further comprising the steps of:

calculating a specific target price for a performance of a contract;

determining the applicability of one or more strategic objectives to the target price;

calculating a target range for the target bid price that is constrained by the one or more strategic objectives; and

obtaining a target price that is within the target range.

18. The process of claim 17, wherein the step of determining the applicability of one or more strategic objectives is a step selected from the group of:

obtaining a pre-determined maximum or minimum margin on the value; and

obtaining a pre-determined maximum or minimum success rate on the value.

19. The process of claim 7, further including the step of calculating a target range for the value.

20. The process of claim 19, wherein the step of calculating a target range is a step selected from the group of:

calculating a target range from the maximum expected contribution; and

calculating a target range based upon the optimum target price.

21. A method of target pricing a bid, comprising the steps of:

a pricing step for pricing the bid using stored list prices in a product model;

a costing step for costing the bid using stored costs in the product model.

a competitor net price calculation step for calculating an equivalent competitor net price for the bid using a competitor net price model;

a bid-winning probability calculation step for calculating the probability of winning the bid as a function of price using parameters from a market response model; and

a target price calculation step for calculating a target price for the bid that maximizes expected contribution using an optimization model that determines competitive response to any potential bid.

22. The method of claim 21, further including a target pricing benefit calculation step for calculating one or more benefits of target pricing in comparison to a pre-existing pricing approach.

23. The method of claim 21, wherein the product model and the competitor price model are n-dimensional with stored data reflective of at least price and cost, and the pricing step, the costing step, and competitor net price calculation step are performed by iterative linear interpolation of the stored data.

24. The method of claim 21, wherein the competitor net price calculation step further includes the steps of:

a price retrieving step for retrieving a price from the product model for a specific bid; and

a discounting step for applying a discounting model to the price to determine a competitor net price for the specific bid.

25. The method of claim 24, further including an overriding step for overriding the calculated equivalent competitor net price if the calculated competitor net price falls outside a predetermined range.

26. The method of claim 21, wherein the market response model includes coefficients for market response predictors based upon historical data, and for a specific bid, the bid-winning probability calculation step includes the steps of:

an evaluation step for evaluating price-independent predictors; and

a market response curve generation step for generating a market response curve from which an estimated probability of winning a bid is calculated.

27. The method of claim 26, wherein the evaluation step is evaluating price independent predictors for at least the customer, the order, and the product.

28. The method of claim 26, further including a second evaluation step for evaluating static and variable price-independent predictors.

29. The method of claim 22, wherein the target pricing benefit calculation step includes the steps of:

a target price retrieval step for obtaining the target price for the specific bid;

a pre-existing bid price calculation step for calculating a bid price using a pre-existing pricing approach; and

a pre-existing bid success determination step for comparing the bid from the pre-existing pricing approach to a market response curve to determine the probability of a successful bid with the pre-existing pricing approach.

30. The method of claim 15, wherein the step of calculating a target price bid using a pre-existing pricing approach is a step selected from the group of:

discounting the list price from the price model;

adding a predetermined amount to the cost for the bid; and

matching a historic rate for the specific bid.

31. The method of claim 21, further comprising the steps of:

a contract target bid price calculation step for calculating a specific target bid price for a performance of a contract;

a strategic object determination step for determining the applicability of one or more strategic objectives to the target bid price;

a strategic object constraint calculation step for calculating a target range for the target bid price that is constrained by the one or more strategic objectives; and

a constrained target price determination step for obtaining a target price that is within the target range.

32. The method of claim 31, wherein the strategic objective determination step is selected from the group of:

a margin determination step for obtaining a pre-determined maximum or minimum margin on the bid; and

a success rate determination step for obtaining a pre-determined maximum or minimum success rate on the bid.

33. The method of claim 21, further including a target range calculation step for calculating a target range for the bid.

34. The method of claim 33, wherein the target range calculation step is a step selected from the group of:

a contribution calculation step for calculating a target range from the maximum expected contribution; and

an optimum target range calculation step for calculating a target range based upon the optimum target price.